

TITLE INSURANCE

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Introduction

The purchase of a home is one of the most expensive and important purchases you will ever make. You and your mortgage lender will want to make sure that the property is indeed yours and that no-one else will have any liens, claims or encumbrances on your property. This is done through the purchase of a title insurance policy.

Title insurance protects you and your lender if someone challenges your property title because of title defects unknown at the time you bought the policy. Possible title defects include:

- Errors or omissions in deeds*
- Mistakes made in examining records*
- Forgery*
- Undisclosed heirs*
- Missing heirs*
- Liens for unpaid taxes*
- Liens by contractors*

Before issuing a policy, title companies check for defects in your title by examining public records, including deeds, mortgages, wills, divorce decrees, court judgments, tax records, liens, encumbrances and maps. The title search determines who owns the property, what outstanding debts are against it and the condition of the title.

Title companies also handle property closings and hold earnest money in a trust account until a purchase is complete.

1. You may choose the title company you want. You don't have to use a title company selected by a real estate agent or lender.
2. Verify that the California Department of Insurance licensed the title company you're considering.
3. You pay a premium only once at closing. The buyer and seller should negotiate who pays the premium for an owner's title policy. There may be additional charges such as recording fees, escrow fees and delivery expenses.
4. Read your policy. It gives the legal description of your land, tells how to file a claim and describes your coverage, including limitations, exclusions, exceptions and special conditions.
5. A title company must defend your title in court, subject to certain limitations. If it loses the court case, the company pays covered losses up to the face amount of the policy.

If you purchased a home you may already be familiar with the benefits of a title insurance policy. However, if this is your first home, you may wonder "Why do I need another insurance policy?" The intent of this brochure is not to make you an expert but to provide some basic information on title insurance. Some of the most frequently asked questions are discussed below:

Q. What Is Title Insurance?

- A. Title insurance offers protection for claims resulting from various types of defects (as set out in the policy) which may exist in the title to a specific parcel of real property. This protection is effective on the issue date of the policy. Title companies issue policies on all types of real property.

Q. What Is the Difference Between Title Insurance and Casualty Insurance?

- A. Title insurance companies will work in advance of issuing your policy to identify their incumbrances on the title alerting you to prevent losses caused by title defects that have been created in the past. The greatest portion of the title insurance premium goes toward risk elimination. Title companies maintain title plats which contain information regarding property transfers and liens. Maintaining these title plats, together with the searching and examining of title is where most of the premium dollar is spent.

A casualty insurance company will assume risks. A casualty insurance company will realize that a certain number of losses will occur each year under each line of business. The insurer will collect premiums from the policyholders in order to establish reserve funds which will be used to pay for projected losses. The premiums are billed monthly, quarterly, semi-annually or annually.

Q. Who Does Title Insurance Protect?

- A. A title insurance policy contains provisions for the payment of the legal fees in defense of a claim against your property which is covered under your title policy. It also contains provisions for indemnification against losses which result from a covered claim.

Q. Who Should Purchase Title Insurance?

- A. Both buyers and lenders in a real estate transaction need title insurance. Title companies usually issue two types of policies. An owner's policy which insures the buyer for as long as they own the property and a Lender's policy which insures the priority of the lender's security interest over

the claims that others may have in the property. This protection is limited to the value of the property. In many states, both the buyer and the lender are covered under one policy.

Q. How Much Insurance Will I need?

- A. The buyer should purchase a policy for the full amount of the purchase price, where the lender needs a policy only for the amount of the loan.*

Q. Who Pays the Premiums for Title Policies?

- A. Since it is local practice that determines who pays the premiums, not law, this could be a negotiation point between the seller and the buyer. Your escrow officer can advise you who normally pays the various premiums in your area.*

Q. How Are Title Premiums Determined and When Is the Premium Paid?

- A. The title insurance premiums are based on the amount of coverage provided. The schedule of rates, all regularly issued forms of title policies to which rates apply and every modification are required to be filed with the insurance commissioner. The premiums are paid once at the close of a escrow. There are no continuing premiums due, as there are in other types of insurance.*

Q. Can I Save Money By Comparing Rates?

- A. Yes, since the rates are not set by law, the rates will vary from company to company. You should also be aware that many title insurance companies offer a discounted rate on property that has been sold or has been insured within the*

previous two to five years. Check with your escrow officer to see if your property qualifies. Ultimately the choice of which title insurance company you select is yours.

Q. Where Can I Report Suspected Incidents of Unlawful Commissions and Rebates Involving Escrows and Title Insurance Transactions?

- A.** If you suspect that a title insurance company is offering unlawful rebates you can report this suspected activity to the Department of Insurance. If the activity involves an escrow transaction, where a title insurance company is not handling the escrow function, you can report this activity to the Department of Real Estate.

Important Tips

- Be sure to check to see that the title policy amount is correct.
- Check to see that the date given on the policy is the escrow's actual closing date, this is the date when the policy becomes effective.
- Verify that the policy describes all of the property and all of the interests being acquired.
- Discounts may be available for first time buyers.
- Concurrent rates may be available if the insurer is providing both homeowner's and lender's title insurance policies in the transaction.
- Discount rates may be available in bulk rates for new subdivisions.

Where to File A Complaint

If a dispute arises about your premium or a claim you filed, contact the agent or the title insurance company. If you can not resolve your problem with the agent or company, file a complaint with the California Department of Insurance.



TALK to US

*Do you have a question, comment or concern?
There are several ways to talk to us:*



1. **Call** our consumer Hotline at **(800) 927-HELP**
Callers within the Los Angeles area please dial
(213)- 897 8921
Telecommunication Device for the Deaf dial
(800) 482-4TDD



2. **Write:** **California Department of Insurance**
300 South Spring St., South Tower
Los Angeles, CA 90013



3. **E-mail** us through our website at: **[www. Insurance.ca.gov](http://www.Insurance.ca.gov)**
4. **or visit us in person on the 9th Floor at the address above.**
Monday through Friday 8:00 AM to 5:00 PM P.S.T.
Excluding Holidays